DEPARTMENT OF HEALTH & HUMAN SERVICES
COMBINED FEDERAL CAMPAIGN

HHS FACT SHEET

Results of U.S. Audit of Federal Donations

In the Washington Post Metro Section article dated November 21, 2002, it should be noted that the Office of Personnel Management (OPM) audit of the Combined Federal Campaign has finally been completed. Quoting from that article, 'Kay Coles James, director of the U.S. Office of Personnel Management, said she was.....confident that new accounting procedures prompted by the audit will prevent future trouble. "The integrity of the Combined Federal Campaign is intact," James said. "It gives me great pleasure to be able to move forward and continue the fundraising that so many charities in the Washington area rely upon".'

However, the following paragraph from the article deserves some additional explanation. Again, quoting from the article, 'The largest financial discrepancy reported by investigators - $1.3 million - arose out of the United Way's method of accounting for uncollected donor pledges. Under a practice first detailed by The Washington Post in June, the United Way essentially shaved 1 percent to 3 percent off millions that were donated. **The organization said the money was withheld to cover pledges that were never collected.** But in practice, the money was collected. The audit recommended that the United Way return the $1.3 million to charities, and (Robert) Egger (United Way CEO) has agreed. '

The highlighted area (my emphasis) refers to 'shrinkage' which occurs when payroll deduction (PRD) contributors leave government, change jobs, or retire before the end of the calendar year. Their PRD does not follow them; it terminates. This shrinkage concept is allowed by the OPM. This shrinkage only affects the Local Federation, the United Way of the National Capital Area (pages 8 through 39 of the CFC Catalogue of Caring). At the end of each campaign (in April), the Federation notifies each member charity of the amount they are to receive for the upcoming year (12 month period). This amount is based on their designated contributions plus their portion of the undesignated or pool money. The Federation and the member charities have agreed that 1 to 3 percent of their amount would be withheld in anticipation of shrinkage. The Federation then advises each charity that if the shrinkage is higher, it could affect their final payment. This shrinkage figure is calculated based on the previous three campaigns.

The published figure, $1.3 million, is an accumulation from the previous 4 campaigns (the subject of the OPM audit). Considering the fact that the total CFC pledges over that 4 year period were nearly $170 million, this $1.3 million represents less than 1% of the total collections over that period.

However, even though the amount per year averages out to a little over $300,000, I cannot excuse the Federation for not having redistributed the money with the final payment to each of the affected member charities. Eggar recognized this prior to the audit. Already, $300,000 has been redistributed and the remainder is to follow after this year's campaign.

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